

tions issued for purchase by the trust funds may be redeemed at par plus accrued interest. Interest receipts and proceeds from the sale or redemption of obligations held in the trust funds are available for investment in the same manner as other receipts of the funds. Interest earned by the invested assets of the trust funds will provide income to meet a portion of future benefit disbursements. The role of interest in meeting future benefit payments is indicated in tables 21 and 22.

In addition to serving as a source of income, the assets of the trust funds assure the continued payment of benefits without sharp changes in contribution rates during periods of short-run fluctuations in total income and expenditures.

SUMMARY OF THE OPERATIONS OF THE FEDERAL OLD-AGE AND SURVIVORS INSURANCE TRUST FUND, FISCAL YEAR 1965

A statement of the income and disbursements of the Federal old-age and survivors insurance trust fund in the fiscal year which began on July 1, 1964, and ended on June 30, 1965, and of the assets of the fund at the beginning and end of the fiscal year, is presented in table 2.

The total assets of the old-age and survivors insurance trust fund amounted to \$19,699 million on June 30, 1964. These assets increased to \$20,180 million by the end of the fiscal year 1965, an increase of \$482 million.

TABLE 2.—Statement of operations of the old-age and survivors insurance trust fund during the fiscal year 1965

Total assets of the trust fund, June 30, 1964.....		\$19, 698, 850, 787. 50
Receipts, fiscal year 1965:		
Tax contributions:		
Appropriations.....	\$14, 777, 984, 820. 93	
Deposits arising from State agreements.....	1, 257, 853, 080. 87	
Gross tax contributions.....	16, 035, 837, 901. 80	
Less payment into the Treasury for taxes subject to refund.....	178, 625, 500. 00	
Net tax contributions.....	15, 857, 212, 401. 80	
Interest:		
On investments.....	583, 124, 534. 10	
On administrative expenses reimbursed by disability insurance trust fund.....	3, 112, 262. 00	
Total interest.....	586, 236, 796. 10	
Total receipts.....	16, 443, 449, 197. 90	
Disbursements, fiscal year 1965:		
Benefit payments.....	15, 225, 894, 365. 63	
Transfers to railroad retirement account.....	435, 638, 000. 00	
Administrative expenses:		
Department of Health, Education, and Welfare.....	325, 453, 831. 11	
Treasury Department.....	49, 712, 198. 83	
Construction of facilities for Social Security Administration.....	305, 245. 52	
Gross administrative expenses.....	375, 471, 275. 46	
Less receipts from sale of surplus materials, supplies, etc.....	77, 629. 22	
Less reimbursement for administrative expenses by disability insurance trust fund.....	74, 289, 728. 00	
Less reimbursement for construction by disability insurance trust fund.....	821, 231. 00	
Net administrative expenses.....	300, 282, 687. 24	
Total disbursements.....	15, 961, 815, 052. 87	
Net addition to the trust fund.....		481, 634, 145. 03
Total assets of the trust fund, June 30, 1965.....		20, 180, 484, 932. 53

Net receipts of the trust fund during the fiscal year 1965 amounted to \$16,443 million. Of this total, \$14,778 million represented tax collections appropriated to the fund and \$1,258 million represented amounts received by the Secretary of the Treasury in accordance with State agreements for coverage of State and local government employees and deposited in the trust fund. As an offset, \$179 million was transferred from the trust fund into the Treasury as repayment for the estimated amount of contributions subject to refund to employees who worked for more than one employer during the course of a year and paid contributions on wages in excess of the statutory maximum earnings base. Net contributions amounted to \$15,857 million, representing an increase of 2 percent over the amount for the preceding fiscal year. The remaining \$586 million of receipts consisted of interest on the investments of the fund and on amounts transferred from the disability insurance trust fund for reimbursement of administrative expenses.

Disbursements from the trust fund during the fiscal year 1965 totaled \$15,962 million. Of this total, \$15,226 million was for benefit payments, an increase of 4 percent over the corresponding amount paid in the fiscal year 1964. This increase was due principally to the growth in the number of beneficiaries, which is to be expected as the program gradually matures.

Public Law 234, approved October 30, 1951, amended the Railroad Retirement Act to provide a base of coordinating the railroad retirement program with old-age and survivors insurance. A description of the legislative provisions governing the financial interchanges arising from the allocation of costs between the two systems is contained in appendix II. In accordance with these provisions, the Railroad Retirement Board and the Secretary of Health, Education, and Welfare determined that a transfer of \$420,600,000 to the railroad retirement account from the old-age and survivors insurance trust fund would place this fund in the same position as of June 30, 1964, as it would have been if railroad employment had always been covered under the Social Security Act. This amount, together with interest thereon for fiscal year 1965 amounting to \$15,038,000, was transferred to the railroad retirement account in June 1965.

The remaining \$300 million of disbursements from the old-age and survivors insurance trust fund was for administrative expenses. Net administrative expenses charged to both the old-age and survivors insurance trust fund and the disability insurance trust fund totaled \$379 million and represented 2.2 percent of contribution income and 2.3 percent of benefit payments during fiscal year 1965. The relationship of administrative expenses to contribution income and to benefit payments for each of the last 5 years is shown in table 3 for the system as a whole, as well as for each trust fund separately.

TABLE 3.—*Relationship of net administrative expenses of the old-age, survivors, and disability insurance program to contribution income and benefit payments, by trust fund, fiscal years 1961-65.*

Fiscal year	Total		Old-age and survivors insurance trust fund		Disability insurance trust fund	
	Total administrative expenses as a percentage of—		Administrative expenses as a percentage of—		Administrative expenses as a percentage of—	
	Total contribution income	Total benefit payments	Contribution income	Benefit payments	Contribution income	Benefit payments
1961.....	2.2	2.3	2.1	2.1	3.6	5.2
1962.....	2.5	2.3	2.2	2.0	6.3	6.3
1963.....	2.3	2.2	2.0	1.9	6.2	5.7
1964.....	2.2	2.3	2.0	2.1	5.9	5.4
1965.....	2.2	2.3	1.9	2.0	6.7	5.7

NOTE.—Expenses incurred by the Department of Health, Education, and Welfare under the disability insurance program are initially charged to the old-age and survivors insurance trust fund; reimbursements are then made from the disability insurance trust fund in the following fiscal year.

In table 4, the experience with respect to actual amounts of tax contributions and benefit payments in fiscal year 1965 and trust fund assets at the end of the year is compared with the estimates for fiscal year 1965 which appeared in the 23d, 24th, and 25th Annual Reports of the Board of Trustees. The only amendments significant from a cost standpoint which were enacted during the period covered by these three reports were those contained in Public Law 88-650. These amendments were enacted in October 1964, between the time of publication of the 24th and the 25th reports. The effect of these amendments on the operations of the old-age and survivors insurance trust fund was not significant. Enactment of Public Law 88-650 did, however, result in a moderate increase in benefit payments from the disability insurance trust fund in fiscal year 1965. Taking into account the legislative changes affecting the disability insurance trust fund in fiscal year 1965, the estimates for each fund were quite close, relatively, to the actual experience.

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TABLE 4.—Comparison of actual and estimated operations of the old-age and survivors insurance and disability insurance trust funds, fiscal year 1965

[Amounts in millions]

	Actual amount	Comparison of actual experience with estimates for fiscal year 1965 published in—		
		25th report	24th report	23d report
Old-age and survivors insurance trust fund				
Net tax contributions:				
Amount.....	\$15,857	\$15,620	\$15,659	\$15,449
Estimate as percentage of actual.....		99	99	97
Benefit payments:				
Amount.....	\$15,226	\$15,253	\$15,376	\$15,332
Estimate as percentage of actual.....		100	101	101
Assets, end of year:				
Amount.....	\$20,180	\$19,922	\$19,607	\$19,199
Estimate as percentage of actual.....		99	97	95
Disability insurance trust fund				
Net tax contributions:				
Amount.....	\$1,175	\$1,158	\$1,159	\$1,145
Estimate as percentage of actual.....		99	99	97
Benefit payments:				
Amount.....	\$1,392	\$1,416	\$1,324	\$1,276
Estimate as percentage of actual.....		102	95	92
Assets, end of year:				
Amount.....	\$2,007	\$1,968	\$2,047	\$2,099
Estimate as percentage of actual.....		98	102	105

The distribution of benefit payments in fiscal years 1964 and 1965, by type of benefit, is shown in table 5. Approximately 87 percent of the total benefit payments from the old-age and survivors insurance trust fund in the fiscal year 1965 was accounted for by monthly benefits to persons aged 62 or over—retired workers and their wives (including a relatively small number of wives under age 62 with entitled children in their care) or dependent husbands, and aged widows, dependent widowers, and dependent parents of deceased workers. Approximately 12 percent of the benefit payments represented monthly benefits on behalf of children of deceased or retired workers and monthly benefits to mothers—practically all of them under age 62—who had children of deceased workers in their care. The balance of the benefits paid consisted of lump-sum death payments.

TABLE 5.—Estimated distribution of benefit payments from the old-age and survivors insurance trust fund, by type of benefit, fiscal years 1964 and 1965

[Amounts in millions]

Type of benefit	1964		1965	
	Amount	Percent of total	Amount	Percent of total
Total.....	\$14,579.2	100	\$15,226.1	100
Monthly benefits.....	14,364.6	99	15,008.0	99
Old-age (retired workers).....	9,632.9	66	10,062.0	66
Wife's or husband's (wives or dependent husbands of old-age beneficiaries).....	1,269.3	9	1,283.6	8
Widow's or widower's (aged widows or aged dependent widowers of deceased workers).....	1,681.6	12	1,825.3	12
Parent's (aged dependent parents of deceased workers).....	33.5	(1)	33.0	(1)
Child's (children, under age 18 or disabled, of old-age beneficiaries).....	148.3	1	151.0	1
Child's (children, under age 18 or disabled, of deceased workers).....	1,248.0	9	1,296.7	9
Mother's (widows or dependent divorced wives of deceased workers caring for child beneficiaries).....	351.1	2	356.4	2
Lump-sum death payments.....	214.6	1	218.1	1

¹ Less than 0.5 percent.

On June 30, 1965, about 20.2 million persons in some 15.0 million families were receiving monthly benefits under the old-age, survivors, and disability insurance program (table 6). About 18.5 million persons in 14.1 million of these families were receiving monthly benefits from the old-age and survivors insurance trust fund. Generally, average monthly family benefits on that date showed moderate increases over the corresponding averages a year earlier. The higher averages reflected, in part, the greater proportion of benefits computed on the basis of earnings after 1950.

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TABLE 6.—Estimated number of families and beneficiaries receiving benefits under the old-age, survivors, and disability insurance program, and average family amount, by family group, end of fiscal years 1964 and 1965

[Numbers in thousands]

Family classification of beneficiaries receiving benefits	June 30, 1964			June 30, 1965		
	Number of families	Number of beneficiaries	Average monthly amount per family	Number of families	Number of beneficiaries	Average monthly amount per family
Total.....	14, 442. 9	19, 470. 3	-----	15, 042. 2	20, 156. 9	-----
Retired-worker families.....	10, 481. 8	13, 501. 6	-----	10, 842. 6	13, 873. 8	-----
Worker only.....	7, 807. 4	7, 807. 4	\$73. 60	8, 157. 3	8, 157. 3	\$74. 40
Male.....	3, 946. 3	3, 946. 3	83. 20	4, 060. 1	4, 060. 1	84. 10
Old-age benefit not actuarially reduced.....	3, 173. 6	3, 173. 6	86. 00	3, 124. 7	3, 124. 7	87. 60
Old-age benefit actuarially reduced.....	772. 7	772. 7	71. 70	935. 4	935. 4	72. 30
Female.....	3, 861. 0	3, 861. 0	63. 90	4, 097. 2	4, 097. 2	64. 80
Old-age benefit not actuarially reduced.....	2, 107. 7	2, 107. 7	68. 20	2, 130. 6	2, 130. 6	69. 80
Old-age benefit actuarially reduced.....	1, 753. 3	1, 753. 3	58. 60	1, 966. 6	1, 966. 6	59. 30
Worker and wife (aged 62 and over 1).....	2, 380. 7	4, 761. 4	130. 10	2, 388. 8	4, 777. 6	131. 40
Old-age benefit not actuarially reduced.....	2, 166. 0	4, 332. 0	131. 50	2, 108. 8	4, 217. 6	133. 40
Old-age benefit actuarially reduced.....	214. 7	429. 4	116. 40	280. 0	560. 0	116. 80
Worker and wife (under age 65 2) ³	1. 7	3. 4	110. 40	1. 8	3. 5	110. 40
Worker and aged dependent husband.....	12. 4	24. 9	111. 20	11. 7	23. 4	112. 70
Worker and 1 or more children.....	79. 1	179. 5	120. 50	84. 2	191. 0	120. 10
Worker, wife (aged 62 and over 1), and 1 or more children.....	29. 7	91. 7	161. 40	30. 3	93. 8	162. 80
Worker, wife (under age 65 2), and 1 or more children.....	170. 7	633. 1	149. 50	168. 5	626. 8	149. 50
Worker, husband, and 1 or more children.....	. 1	. 3	112. 70	. 1	. 4	113. 50
Survivor families.....	3, 099. 2	4, 452. 5	-----	3, 255. 9	4, 634. 9	-----
Aged widow only.....	2, 057. 9	2, 057. 9	67. 40	2, 195. 7	2, 195. 7	68. 40
Aged widow and 1 or more children.....	25. 4	52. 1	125. 90	28. 5	58. 3	127. 00
Aged widow and 1 aged dependent parent.....	. 5	1. 0	171. 00	. 5	1. 0	177. 00
Aged widow, 1 or more children and 1 aged dependent parent.....	(⁴)	(⁴)	245. 00	(⁴)	(⁴)	245. 00
Aged dependent widower.....	2. 6	2. 6	63. 60	2. 7	2. 7	64. 60
Widower and 1 or more children.....	. 1	. 2	115. 90	. 1	. 2	117. 80
Widowed mother only 3.....	2. 3	2. 3	61. 50	2. 7	2. 7	61. 50
Widowed mother and 1 child.....	190. 9	381. 8	140. 40	191. 4	382. 8	142. 60
Widowed mother and 2 children.....	132. 8	398. 4	192. 80	134. 2	402. 6	194. 10
Widowed mother and 3 or more children.....	140. 4	685. 1	191. 10	142. 8	698. 3	193. 10
Widowed mother, 1 or more children, and 1 or 2 aged dependent parents.....	. 4	1. 5	216. 00	. 4	1. 4	226. 00
Divorced wife and 1 or more children.....	. 5	1. 3	174. 00	. 5	1. 3	174. 20
1 child only.....	319. 6	319. 6	63. 90	327. 3	327. 3	64. 80
2 children.....	112. 7	225. 4	130. 00	113. 8	227. 6	131. 60
3 children.....	47. 8	143. 4	175. 10	49. 4	148. 2	181. 00
4 or more children.....	30. 8	143. 1	170. 20	32. 2	149. 3	173. 20
1 or more children and 1 aged dependent parent.....	. 7	1. 7	160. 40	. 6	1. 3	161. 00
1 aged dependent parent.....	32. 6	32. 6	70. 40	31. 9	31. 9	70. 90
2 aged dependent parents.....	1. 2	2. 4	113. 40	1. 2	2. 4	115. 60

See footnotes at end of table, p. 19.

THE OLD-AGE AND SURVIVORS INSURANCE TRUST FUND 19

TABLE 6.—*Estimated number of families and beneficiaries receiving benefits under the old-age, survivors, and disability insurance program, and average family amount, by family group, end of fiscal years 1964 and 1965—Continued*

[Numbers in thousands]

Family classification of beneficiaries receiving benefits	June 30, 1964			June 30, 1965		
	Number of families	Number of beneficiaries	Average monthly amount per family	Number of families	Number of beneficiaries	Average monthly amount per family
Disabled-worker families.....	861.9	1,516.2	-----	943.7	1,648.2	-----
Worker only.....	623.9	623.9	88.90	688.1	688.1	89.30
Male.....	430.9	430.9	93.40	468.5	468.5	94.00
Female.....	193.0	193.0	79.00	219.6	219.6	79.40
Worker and wife (aged 62 and over ¹).....	27.2	54.5	138.20	28.7	57.4	138.50
Worker and wife (under age 65 ²).....	.6	1.1	141.00	.7	1.5	138.00
Worker and aged dependent husband.....	.5	1.0	122.00	.5	1.0	122.50
Worker and 1 or more children.....	63.2	172.2	155.80	69.0	188.1	155.50
Worker, wife (aged 62 and over ¹), and 1 or more children.....	.4	1.4	165.00	.5	1.6	160.00
Worker, wife (under age 65 ²), and 1 or more children.....	146.1	662.2	193.40	156.2	710.5	194.30

¹ Excludes wife aged 62 to 64 with entitled children in her care.

² With entitled children in her care.

³ Benefits of children being withheld.

⁴ Less than 50.

The assets of the old-age and survivors insurance trust fund at the end of fiscal year 1965 totaled \$20,180 million, consisting of \$18,766 million in the form of obligations of the U.S. Government, and \$1,415 million in undisbursed balances. Table 7 shows a comparison of the total assets of the fund and their distribution at the end of fiscal years 1964 and 1965.

The net increase in the par value of the investments owned by the fund during the fiscal year 1965 amounted to \$458 million. New securities at a total par value of \$18,940 million were acquired during the fiscal year through the investment of receipts, the reinvestment of funds made available from the maturity or sale of securities, and the exchange of securities. The par value of securities redeemed, exchanged, or sold during the fiscal year was \$18,482 million. A summary of transactions for the fiscal year, by type of security, is presented in table 8.

The 1956 amendments provided that the public-debt obligations issued for purchase by the old-age and survivors insurance trust fund and the disability insurance trust fund shall have maturities fixed with due regard for the needs of the funds. Under this provision, the special issues held by the old-age and survivors insurance trust fund on June 30, 1965, were distributed in equal amounts of \$1,080 million among maturities ranging from 2 to 15 years and in a smaller amount maturing at the end of the 1st year (table 7).

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TABLE 7.—Assets of the old-age and survivors insurance trust fund, by type, at end of fiscal years 1964 and 1965

	June 30, 1964		June 30, 1965	
	Par value	Book value ¹	Par value	Book value ¹
Investments in public-debt obligations:				
Public issues:				
Treasury notes:				
4½-percent, series A, 1965	\$6,352,000	\$6,352,000.00		
5-percent, series B, 1964	4,125,000	4,125,000.00		
Treasury bonds:				
2½-percent, 1964-69	55,180,000	51,968,134.80	\$55,180,000	\$52,584,741.24
2½-percent, 1967-72	250	250.00	250	250.00
2½-percent, investment series B, 1975-80	1,064,902,000	1,065,288,584.28	1,064,902,000	1,065,169,635.24
3-percent, 1995	85,170,000	85,131,990.57	70,170,000	70,139,708.68
3¼-percent, 1978-83	60,200,000	59,080,412.72	60,200,000	59,139,597.92
3¼-percent, 1985	25,700,000	23,888,810.51	25,700,000	23,975,747.63
3½-percent, 1980	449,450,000	456,574,629.87	449,450,000	456,138,428.07
3½-percent, 1980	556,250,000	545,394,375.06	556,250,000	545,818,699.26
3½-percent, 1988	552,037,000	541,401,354.12	552,037,000	541,746,831.40
3½-percent, 1967	34,205,000	34,209,900.60		
3½-percent, 1966	27,729,000	27,739,629.15		
3½-percent, 1968	7,000,000	7,000,000.00	7,000,000	7,000,000.00
3½-percent, 1968	17,450,000	17,450,000.00	17,450,000	17,450,000.00
3½-percent, 1974	32,500,000	32,413,664.08	24,500,000	24,474,006.41
4-percent, 1969	77,500,000	77,475,202.73	62,500,000	62,479,926.05
4-percent, 1970			15,000,000	14,987,695.30
4-percent, 1971	100,000,000	101,288,915.53	100,000,000	101,106,951.01
4-percent, 1973	38,000,000	37,671,643.30	38,000,000	37,707,792.70
4-percent, 1980	153,100,000	153,024,210.04	153,100,000	153,029,073.64
4½-percent, 1974			61,934,000	61,881,931.91
4½-percent, 1980-84	91,300,000	90,398,251.62	91,300,000	90,428,477.52
4½-percent, 1974			6,352,000	6,367,585.92
4½-percent, 1975-85	78,023,000	77,585,848.55	78,023,000	77,606,831.87
4½-percent, 1987-92	10,000,000	10,092,333.34	33,000,000	35,350,616.73
Total public issues	3,526,173,250	3,505,555,140.87	3,522,048,250	3,504,534,528.80
Accrued interest purchased				15,756.96
Total investments in public issues	3,526,173,250	3,505,555,140.87	3,522,048,250	3,504,550,285.76
Obligations sold only to this fund (special issues):				
Certificates of indebtedness:				
4½-percent, 1966			141,020,000	141,020,000.00
Notes:				
4½-percent, 1966	597,887,000	597,887,000.00		
4½-percent, 1967			1,032,019,000	1,032,019,000.00
Bonds:				
2½-percent, 1967	912,011,000	912,011,000.00		
2½-percent, 1968	412,011,000	412,011,000.00	412,011,000	412,011,000.00
2½-percent, 1966	161,284,000	161,284,000.00		
2½-percent, 1967	168,000,000	168,000,000.00	47,992,000	47,992,000.00
2½-percent, 1968	668,000,000	668,000,000.00	668,000,000	668,000,000.00
2½-percent, 1969	1,080,011,000	1,080,011,000.00	1,080,011,000	1,080,011,000.00
2½-percent, 1970	1,080,011,000	1,080,011,000.00	1,080,011,000	1,080,011,000.00
2½-percent, 1971	1,080,011,000	1,080,011,000.00	1,080,011,000	1,080,011,000.00
2½-percent, 1972	1,080,011,000	1,080,011,000.00	1,080,011,000	1,080,011,000.00
2½-percent, 1973	1,080,011,000	1,080,011,000.00	1,080,011,000	1,080,011,000.00
2½-percent, 1974	1,080,011,000	1,080,011,000.00	1,080,011,000	1,080,011,000.00
2½-percent, 1975	919,934,000	919,934,000.00	919,934,000	919,934,000.00
3¼-percent, 1975	160,077,000	160,077,000.00	160,077,000	160,077,000.00
3¼-percent, 1976	1,080,011,000	1,080,011,000.00	1,080,011,000	1,080,011,000.00
3¼-percent, 1977	1,080,011,000	1,080,011,000.00	1,080,011,000	1,080,011,000.00
3½-percent, 1978	658,444,000	658,444,000.00	658,444,000	658,444,000.00
4½-percent, 1978	421,567,000	421,567,000.00	421,567,000	421,567,000.00
4½-percent, 1979	1,080,011,000	1,080,011,000.00	1,080,011,000	1,080,011,000.00
4½-percent, 1980			1,080,011,000	1,080,011,000.00
Total obligations sold only to this fund (special issues)	14,799,314,000	14,799,314,000.00	15,261,174,000	15,261,174,000.00
Total investments in public-debt obligations	18,325,487,250	18,304,869,140.87	18,783,222,250	18,765,724,285.76
Undisbursed balances		1,393,981,646.63		1,414,760,646.77
Total assets		19,698,850,787.50		20,180,484,932.53

¹ Par value, plus unamortized premium, less discount outstanding.

THE OLD-AGE AND SURVIVORS INSURANCE TRUST FUND 21

TABLE 8.—*Statement of transactions in public-debt securities for the old-age and survivors insurance trust fund during the fiscal year 1965*

[All amounts represent par values]

	Acquisitions	Dispositions
Public issues:		
Treasury notes:		
4½-percent, series A, 1965.....	0	\$6,352,000
5-percent, series B, 1964.....	0	4,125,000
Treasury bonds:		
3-percent, 1995.....	0	15,000,000
3½-percent, 1967.....	0	34,205,000
3¾-percent, 1966.....	0	27,729,000
3¾-percent, 1974.....	0	8,000,000
4-percent, 1969.....	0	15,000,000
4-percent, 1970.....	\$15,000,000	0
4½-percent, 1974.....	61,934,000	0
4¼-percent, 1974.....	6,352,000	0
4¼-percent, 1987-92.....	23,000,000	0
Total public issues.....	106,286,000	110,411,000
Obligations sold only to this fund (special issues):		
Certificates of indebtedness:		
4½-percent, 1965.....	16,580,565,000	16,580,565,000
4½-percent, 1966.....	141,020,000	0
Notes:		
4½-percent, 1966.....	0	597,887,000
4½-percent, 1967.....	1,032,019,000	0
Bonds:		
2½-percent, 1967.....	0	912,011,000
2½-percent, 1966.....	0	161,284,000
2½-percent, 1967.....	0	120,008,000
4½-percent, 1980.....	1,080,011,000	0
Total obligations sold only to this fund (special issues).....	18,833,615,000	18,371,755,000
Total transactions.....	18,939,901,000	18,482,166,000

SUMMARY OF THE OPERATIONS OF THE FEDERAL DISABILITY INSURANCE TRUST FUND, FISCAL YEAR 1965

A statement of the income and disbursements of the Federal disability insurance trust fund during fiscal year 1965 and of the assets of the fund at the beginning and end of the fiscal year is presented in table 9.

The total assets of the disability insurance trust fund amounted to \$2,264 million on June 30, 1964. These assets decreased by \$257 million during the fiscal year, to \$2,007 million at the end of the year.

Net receipts of the fund amounted to \$1,237 million. Of this total, \$1,095 million represented tax collections appropriated to the fund, and \$93 million represented amounts received by the Secretary of the Treasury in accordance with State coverage agreements and deposited in the fund. As an offset, \$13 million was transferred from the trust fund into the Treasury as repayment for the estimated amount of contributions subject to refund to employees who worked for more than one employer during the course of a year and paid contributions on wages in excess of the statutory maximum earnings base. An additional \$62 million of receipts consisted of net interest on the investments of the fund.

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TABLE 9.—Statement of operations of the disability insurance trust fund during the fiscal year 1965

Total assets of the trust fund, June 30, 1964.....		\$2, 263, 987, 484. 48
Receipts, fiscal year 1965:		
Tax contributions:		
Appropriations.....	\$1, 095, 087, 773. 24	
Deposits arising from State agreements.....	93, 220, 620. 11	
Gross tax contributions.....	1, 188, 308, 393. 35	
Less payment into the Treasury for taxes subject to refund.....	13, 064, 500. 00	
Net tax contributions.....	1, 175, 243, 893. 35	
Interest:		
On investments.....	65, 247, 217. 77	
Less interest on amounts transferred to old-age and survivors insurance trust fund for reimbursed administrative expenses.....	3, 112, 262. 00	
Net interest.....	62, 134, 955. 77	
Total receipts.....	1, 237, 378, 849. 12	
Disbursements, fiscal year 1965:		
Benefit payments.....	1, 392, 190, 264. 93	
Transfers to railroad retirement account.....	23, 615, 000. 00	
Administrative expenses:		
Reimbursement to the old-age and survivors insurance trust fund:		
For administrative expenses of the Department of Health, Education, and Welfare.....	74, 289, 728. 00	
For construction of facilities for Social Security Administration.....	821, 231. 00	
Treasury Department..	3, 767, 958. 52	
Gross administrative expenses.....	78, 878, 917. 52	
Less receipts from sales of surplus materials, supplies, etc.....	16, 970. 23	
Net administrative expenses.....	78, 861, 947. 29	
Total disbursements.....	1, 494, 667, 212. 22	
Net addition to the trust fund.....		-257, 288, 363. 10
Total assets of the trust fund, June 30, 1965.....		2, 006, 699, 121. 38

Disbursements from the fund during the fiscal year 1965 totaled \$1,495 million. Of this total, \$1,392 million was for benefit payments, an increase of 11 percent over the corresponding amount paid in the fiscal year 1964. This increase was due to the maturing of the disability program and to the enactment of Public Law 88-650 in October 1964.

Public Law 880, approved August 1, 1956, provided for financial interchanges between the railroad retirement account and the disability insurance trust fund similar to those described in the preceding section relating to the old-age and survivors insurance trust fund. The determination made as of June 30, 1964, required that a transfer of \$22,800,000 be made from the disability insurance trust fund to the railroad retirement account. This amount, together with interest thereon for fiscal year 1965, amounting to \$815,000, was transferred to the railroad retirement account in June 1965. The remaining \$79 million of disbursements was for administrative expenses.

At the end of fiscal year 1965, some 1,648,000 persons in 944,000 families were receiving monthly benefits from the disability insurance trust fund (table 6). The distribution of benefit payments in fiscal years 1964 and 1965, by type of benefit, is shown in table 10.

The assets of this fund at the end of fiscal year 1965 totaled \$2,007 million, consisting of \$1,876 million in the form of obligations of the U.S. Government, and \$131 million in undisbursed balances. Table 11 shows a comparison of the total assets of the fund and their distribution at the end of fiscal years 1964 and 1965.

TABLE 10.—*Estimated distribution of benefit payments from the disability insurance trust fund, by type of benefit, fiscal years 1964 and 1965*

[Amounts in millions]

Type of benefit	1964		1965	
	Amount	Percent of total	Amount	Percent of total
Total.....	\$1,251.2	100	\$1,392.2	100
Disability (disabled workers).....	997.7	80	1,111.2	80
Wife's or husband's (wives or dependent husbands of disability beneficiaries).....	75.3	6	84.0	6
Child's (children, under age 18 or disabled, of disability beneficiaries).....	178.2	14	197.1	14

The net decrease in the par value of the investments owned by the fund during the fiscal year amounted to \$263 million. New securities at a total par value of \$1,548 million were acquired during the fiscal year through the investment of receipts of the fund, the reinvestment of funds made available from the maturity or sale of securities, and the exchange of securities. The par value of securities redeemed or exchanged during the year was \$1,801 million. In addition, \$10 million of public issues were sold on the open market (at a profit of \$741). A summary of transactions for the fiscal year, by type of security, is presented in table 12.

As indicated in the preceding section of this report, the law provides that the special issues held by the trust funds shall have maturities fixed with due regard for the needs of the funds. On June 30, 1965, these holdings of the disability insurance trust fund were distributed

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in equal amounts of \$154 million among maturities ranging from 6 to 14 years and in smaller amounts maturing at the end of the 5th and 15th years (table 11).

TABLE 11.—Assets of the disability insurance trust fund, by type, at end of fiscal years 1964 and 1965

	June 30, 1964		June 30, 1965	
	Par value	Book value ¹	Par value	Book value ¹
Investments in public-debt obligations:				
Public issues:				
Treasury notes:				
5-percent, series B, 1964	\$825,000	\$825,000.00		
Treasury bonds:				
3½-percent, 1990	10,500,000	9,792,172.82	\$10,500,000	\$9,819,840.38
3½-percent, 1998	5,000,000	4,642,692.80	5,000,000	4,653,099.80
3½-percent, 1967	10,000,000	10,000,000.00		
3¾-percent, 1968	5,000,000	5,000,000.00	5,000,000	5,000,000.00
3¾-percent, 1968	8,750,000	8,713,437.46	8,750,000	8,721,874.90
3¾-percent, 1974	5,000,000	5,000,000.00	5,000,000	5,000,000.00
4-percent, 1969	36,000,000	35,973,543.92	26,000,000	25,985,068.39
4-percent, 1970	14,000,000	13,899,565.74	24,000,000	23,868,809.81
4-percent, 1972	4,000,000	3,960,548.52	4,000,000	3,965,604.84
4-percent, 1973	16,500,000	16,282,971.00	16,500,000	16,306,864.08
4-percent, 1980	30,250,000	30,237,003.65	30,250,000	30,237,837.53
4½-percent, 1974			10,000,000	10,023,623.84
4½-percent, 1989-94	68,400,000	67,406,344.44	68,400,000	67,439,651.28
4½-percent, 1975-85	19,045,000	19,019,990.94	20,795,000	20,772,955.90
4½-percent, 1987-92	5,000,000	5,046,166.66	80,800,000	80,999,357.80
Total public issues	238,270,000	235,799,437.95	314,995,000	312,794,588.55
Accrued interest purchases		54,615.38		7,608.70
Total investments in public issues	238,270,000	235,854,053.33	314,995,000	312,802,197.25
Obligations sold only to this fund (special issues):				
Notes:				
3¾-percent, 1967	1,349,000	1,349,000.00		
Bonds:				
2½-percent, 1968	30,000,000	30,000,000.00		
2½-percent, 1967	58,792,000	58,792,000.00		
2½-percent, 1968	102,894,000	102,894,000.00		
2½-percent, 1969	132,894,000	132,894,000.00		
2½-percent, 1970	132,894,000	132,894,000.00	33,732,000	33,732,000.00
2½-percent, 1971	132,894,000	132,894,000.00	132,894,000	132,894,000.00
2½-percent, 1972	132,894,000	132,894,000.00	132,894,000	132,894,000.00
2½-percent, 1973	132,894,000	132,894,000.00	132,894,000	132,894,000.00
2½-percent, 1974	132,894,000	132,894,000.00	132,894,000	132,894,000.00
2½-percent, 1975	132,894,000	132,894,000.00	132,894,000	132,894,000.00
3½-percent, 1967	19,389,000	19,389,000.00		
3½-percent, 1968	20,738,000	20,738,000.00		
3½-percent, 1969	20,738,000	20,738,000.00		
3½-percent, 1970	20,738,000	20,738,000.00	20,738,000	20,738,000.00
3½-percent, 1971	20,738,000	20,738,000.00	20,738,000	20,738,000.00
3½-percent, 1972	20,738,000	20,738,000.00	20,738,000	20,738,000.00
3½-percent, 1973	20,738,000	20,738,000.00	20,738,000	20,738,000.00
3½-percent, 1974	20,738,000	20,738,000.00	20,738,000	20,738,000.00
3½-percent, 1975	20,738,000	20,738,000.00	20,738,000	20,738,000.00
3½-percent, 1976	153,632,000	153,632,000.00	153,632,000	153,632,000.00
3½-percent, 1977	153,632,000	153,632,000.00	153,632,000	153,632,000.00
3½-percent, 1978	153,632,000	153,632,000.00	153,632,000	153,632,000.00
4½-percent, 1979	133,173,000	133,173,000.00	153,632,000	153,632,000.00
4½-percent, 1980			125,606,000	125,606,000.00
Total obligations sold only to this fund (special issues)	1,902,655,000	1,902,655,000.00	1,562,764,000	1,562,764,000.00
Total investments in public-debt obligations	2,140,925,000	2,138,509,053.33	1,877,759,000	1,875,566,197.25
Undisbursed balances		125,478,431.15		131,132,924.13
Total assets		2,263,987,484.48		2,006,699,121.38

¹ Par value, plus unamortized premium, less discount outstanding.

TABLE 12.—Statement of transactions in public-debt securities for the disability insurance trust fund during the fiscal year 1965

[All amounts represent par values]

	Acquisitions	Dispositions
Public issues:		
Treasury notes:		
5-percent, series B, 1964.....	0	\$825,000
Treasury bonds:		
3½-percent, 1967.....	0	10,000,000
4-percent, 1969.....	0	10,000,000
4-percent, 1970.....	\$10,000,000	0
4½-percent, 1974.....	10,000,000	0
4½-percent, 1975-85.....	1,750,000	0
4½-percent, 1987-92.....	75,800,000	0
Total public issues.....	97,550,000	20,825,000
Obligations sold only to this fund (special issues):		
Certificates of indebtedness:		
4½-percent, 1965.....	1,304,523,000	1,304,523,000
Notes:		
3¾-percent, 1967.....	0	1,349,000
Bonds:		
2½-percent, 1968.....	0	30,000,000
2½-percent, 1967.....	0	58,792,000
2½-percent, 1968.....	0	102,894,000
2½-percent, 1969.....	0	132,894,000
2½-percent, 1970.....	0	99,162,000
3¾-percent, 1967.....	0	19,389,000
3¾-percent, 1968.....	0	20,738,000
3¾-percent, 1969.....	0	20,738,000
4½-percent, 1979.....	20,459,000	0
4½-percent, 1980.....	125,606,000	0
Total obligations sold only to this fund (special issues).....	1,450,588,000	1,790,479,000
Total transactions.....	1,548,138,000	1,811,304,000

EXPECTED OPERATIONS AND STATUS OF THE TRUST FUNDS DURING THE PERIOD JULY 1, 1965 TO DECEMBER 31, 1970

In the following statement of the expected operations and status of the trust funds during the period July 1, 1965 to December 31, 1970, it is assumed that present statutory provisions affecting the old-age, survivors, and disability insurance program remain unchanged throughout the period. The estimates shown in the various tables in this section reflect the effect of the 1965 amendments to the Social Security Act, as described in a previous section. The income and disbursements of the program, however, are affected by general economic conditions as well as by legislative provisions. Because it is difficult to foresee economic developments, the assumptions and the resulting estimates here presented are subject to some uncertainty. This statement of the expected operations of the trust funds should therefore be read with full recognition of the difficulties of estimating future trust fund income and disbursements under changing economic conditions.

Estimates are presented in table 13 to show the expected operations of the old-age and survivors insurance trust fund in fiscal years 1966-70. They are based on the assumption that economic activity will expand throughout the period, with employment and earnings increasing steadily through 1970. Under this assumption the estimated number of persons with taxable earnings under the old-age, survivors, and disability insurance program is expected to increase from 79.5 million during calendar year 1965 to 89.2 million during calendar year 1970; their taxable earnings are estimated to increase from \$247 billion in 1965 to \$343 billion in 1970. The increase in estimated income from contributions in fiscal years 1966-70 reflects

the assumed upward trend in the levels of employment and earnings as well as the effect of the provisions of the 1965 amendments under which (1) coverage is extended, (2) increases in contribution rates are scheduled, effective on January 1 of 1966, 1967, and 1969 and (3) the maximum amount of earnings taxable and creditable under the program is increased effective January 1, 1966. Benefit disbursements increase primarily because of the recent amendments and partly because of the long-range upward trend in the number of beneficiaries under the program. Aggregate income of the old-age and survivors insurance trust fund is expected to exceed aggregate outgo in the 5-year period covering fiscal years 1966-70. During this period, there is an estimated net increase in the trust fund of \$8.8 billion.

TABLE 13.—Operations of the old-age and survivors insurance trust fund, fiscal years 1937-70

[In millions]

Fiscal year	Transactions during period					Net increase in fund	Fund at end of period
	Income		Disbursements				
	Tax contributions ¹	Interest on investments ²	Benefit payments ³	Administrative expenses ⁴	Transfers to railroad retirement account		
Past experience:							
1937-65.....	\$140,728	\$8,776	\$123,653	\$3,027	\$2,643	\$20,180	\$20,180
1941.....	688	56	64	27	-----	653	2,398
1942.....	896	71	110	27	-----	830	3,227
1943.....	1,130	87	149	27	-----	1,041	4,268
1944.....	1,292	103	185	33	-----	1,178	5,446
1945.....	1,310	124	240	37	-----	1,167	6,613
1946.....	1,238	148	321	37	-----	1,028	7,641
1947.....	1,460	163	426	41	-----	1,157	8,798
1948.....	1,617	191	512	47	-----	1,248	10,047
1949.....	1,694	230	607	53	-----	1,263	11,310
1950.....	2,110	257	727	57	-----	1,583	12,893
1951.....	3,124	287	1,498	70	-----	1,843	14,736
1952.....	3,598	334	1,982	85	-----	1,864	16,600
1953.....	4,097	387	2,627	89	-----	1,766	18,366
1954.....	4,589	439	3,276	89	-12	1,676	20,043
1955.....	5,087	438	4,333	103	-10	1,098	21,141
1956.....	6,442	487	5,361	124	-7	1,452	22,593
1957.....	6,540	555	6,515	150	-5	436	23,029
1958.....	7,267	556	7,875	166	-2	-216	22,813
1959.....	7,565	543	9,049	206	124	-1,271	21,541
1960.....	9,843	517	10,270	202	600	-713	20,829
1961.....	11,293	531	11,185	236	332	72	20,900
1962.....	11,455	541	12,658	251	361	-1,274	19,626
1963.....	13,328	515	13,845	263	423	-687	18,939
1964.....	15,503	542	14,579	303	403	760	19,699
1965.....	15,857	586	15,226	300	436	482	20,180
Estimated future experience:							
1966.....	16,856	559	18,126	277	445	-1,433	18,748
1967.....	20,436	586	19,065	292	520	1,145	19,893
1968.....	21,611	646	19,890	359	474	1,534	21,427
1969.....	23,640	738	20,774	370	487	2,747	24,174
1970.....	26,436	919	21,657	380	478	4,840	29,014

¹ Includes reimbursement for additional cost of noncontributory credits for military service; beginning December 1952, adjusted to exclude refunds.

² Includes net profits on marketable investments and, for 1958-67, interest on administrative expenses reimbursed by other social security trust funds. (See footnote 4 below.)

³ Beginning in 1966, includes relatively small amounts of payments for vocational rehabilitation services for disabled beneficiaries aged 18 and over who are entitled to child's benefits.

⁴ Receipts from sale of surplus materials, services, etc., are deducted from gross administrative expenses. Beginning in 1954, includes cost of construction of office space for the Social Security Administration. For years 1957-65, expenses incurred by the Department of Health, Education, and Welfare under the disability insurance program have initially been charged to the old-age and survivors insurance trust fund; reimbursement, including interest, have then been made from the disability insurance trust fund in the following fiscal year. For 1966, expenses incurred under the hospital insurance program and under the supplementary medical insurance program are initially charged to the old-age and survivors insurance trust fund; reimbursement, including interest, is expected to be made from the hospital insurance trust fund before the end of fiscal year 1966, and from the supplementary medical insurance trust fund before the end of fiscal year 1967.

NOTE.—In interpreting the estimates, reference should be made to the accompanying text which describes the underlying assumptions. Estimates were prepared in December 1965.

Estimates consistent with those shown on a fiscal-year basis in table 13 are presented in table 14 to show the progress of the old-age and survivors insurance trust fund on a calendar-year basis. The trust fund is expected to increase in each of the 5 calendar years 1966-70, reaching about \$30.8 billion on December 31, 1970.

TABLE 14.—Operations of the old-age and survivors insurance trust fund, calendar years 1937-70

(In millions)

Calendar year	Transactions during period					Net increase in fund	Fund at end of period
	Income		Disbursements				
	Tax contributions	Interest on investments	Benefit payments	Administrative expenses	Transfers to railroad retirement account		
Past experience:							
1937-65.....	\$147, 635	\$9, 080	\$132, 674	\$3, 163	\$2, 643	\$18, 235	\$18, 235
1941.....	789	56	88	26	-----	731	2, 762
1942.....	1, 012	72	131	28	-----	926	3, 688
1943.....	1, 239	88	166	29	-----	1, 132	4, 820
1944.....	1, 316	107	209	29	-----	1, 184	6, 005
1945.....	1, 285	134	274	30	-----	1, 116	7, 121
1946.....	1, 295	152	378	40	-----	1, 029	8, 150
1947.....	1, 558	164	466	46	-----	1, 210	9, 360
1948.....	1, 688	281	556	51	-----	1, 362	10, 722
1949.....	1, 670	146	667	54	-----	1, 094	11, 816
1950.....	2, 671	257	961	61	-----	1, 905	13, 721
1951.....	3, 367	417	1, 885	81	-----	1, 818	15, 540
1952.....	3, 819	365	2, 194	88	-----	1, 902	17, 442
1953.....	3, 945	414	3, 006	88	-----	1, 265	18, 707
1954.....	5, 163	447	3, 670	92	-21	1, 869	20, 576
1955.....	5, 713	454	4, 968	119	-7	1, 087	21, 663
1956.....	6, 172	526	5, 715	132	-5	856	22, 519
1957.....	6, 825	556	7, 347	162	-2	-126	22, 393
1958.....	7, 566	552	8, 327	194	124	-528	21, 864
1959.....	8, 052	532	9, 842	184	282	-1, 724	20, 141
1960.....	10, 866	516	10, 677	203	318	184	20, 324
1961.....	11, 285	548	11, 862	239	332	-599	19, 725
1962.....	12, 059	526	13, 356	256	361	-1, 388	18, 337
1963.....	14, 541	521	14, 217	281	423	143	18, 480
1964.....	15, 689	569	14, 914	296	403	645	19, 125
1965.....	16, 017	593	16, 737	328	436	-890	18, 235
Estimated future experience:							
1966.....	19, 215	572	18, 521	269	445	552	18, 787
1967.....	21, 061	616	19, 513	347	520	1, 297	20, 084
1968.....	21, 998	692	20, 335	364	474	1, 517	21, 601
1969.....	25, 479	828	21, 214	375	487	4, 231	25, 832
1970.....	26, 864	1, 036	22, 102	387	478	4, 933	30, 765

NOTE.—In interpreting the above experience, reference should be made to the footnotes in table 13.

Benefit disbursements from the old-age and survivors insurance trust fund will continue to increase over the next 5 calendar years as the number of beneficiaries under the program increases. Table 15 shows the annual amount of benefit payments distributed by classification of beneficiaries for each of the calendar years 1940-70.

TABLE 15.—Old-age and survivors insurance benefit payments, distributed by classification of beneficiaries, calendar years 1940-70

[In millions]

Calendar year	Total benefit disbursements	Disbursed to old-age beneficiaries	Disbursed to dependents of old-age beneficiaries	Disbursed to survivors of deceased insured workers			
				Monthly benefits			Lump-sum payments
				Total	Aged widows, dependent widowers, and dependent parents	Widowed mothers, dependent divorced wives, and dependent children	
Past experience: ¹							
1940	\$35	\$15	\$2	\$6	(²)	\$6	\$12
1941	88	44	8	24	\$3	21	13
1942	131	65	11	40	6	34	15
1943	166	79	14	55	10	45	18
1944	209	97	17	73	15	59	22
1945	274	126	22	100	21	79	26
1946	378	189	33	128	29	99	28
1947	466	245	43	149	38	111	29
1948	556	300	52	172	49	122	32
1949	667	373	64	197	62	134	35
1950	961	557	95	277	92	185	35
1951	1,885	1,135	186	507	165	342	57
1952	2,194	1,328	212	592	201	390	63
1953	3,006	1,884	291	744	260	483	87
1954	3,670	2,340	358	880	317	563	92
1955	4,968	3,253	495	1,108	412	695	113
1956	5,715	3,793	568	1,244	486	758	109
1957	7,347	4,888	799	1,521	672	849	139
1958	8,327	5,567	907	1,720	777	943	133
1959	9,842	6,548	1,059	2,063	946	1,117	171
1960	10,677	7,053	1,143	2,316	1,085	1,231	164
1961	11,862	7,802	1,230	2,659	1,262	1,396	171
1962	13,356	8,813	1,349	3,011	1,504	1,507	183
1963	14,217	9,391	1,403	3,216	1,645	1,571	206
1964	14,914	9,854	1,427	3,416	1,787	1,629	216
1965	16,737	10,984	1,558	3,979	2,076	1,903	217
Estimated future experience:							
1966	18,520	11,958	1,664	4,646	2,511	2,135	252
1967	19,512	12,603	1,726	4,920	2,688	2,232	263
1968	20,334	13,126	1,778	5,159	2,843	2,316	271
1969	21,213	13,682	1,836	5,417	3,012	2,405	278
1970	22,101	14,248	1,898	5,671	3,179	2,492	284

¹ Partly estimated.
² Less than \$500,000.

Benefit payments were 7.03 percent of taxable earnings for calendar year 1965. It is expected that this percentage will decline to 6.41 percent in 1966 because total taxable earnings under the newly-increased earnings base will rise more rapidly than total benefit payments. Beginning in 1967, the upward trend will be resumed, and it is estimated that, in 1970, benefit expenditures will be 6.66 percent of taxable earnings. Figures for each of the calendar years 1940-70 are shown in table 16.

TABLE 16.—*Old-age and survivors insurance benefit payments as a percentage of taxable earnings,¹ calendar years, 1940–70*

Calendar year	Benefit payments as a percentage of taxable earnings ²	Calendar year	Benefit payments as a percentage of taxable earnings ²
Past experience:		Past experience—Continued	
1940.....	0. 11	1956.....	3. 48
1941.....	. 21	1957.....	4. 20
1942.....	. 25	1958.....	4. 77
1943.....	. 27	1959.....	5. 03
1944.....	. 32	1960.....	5. 33
1945.....	. 44	1961.....	5. 85
1946.....	. 55	1962.....	6. 31
1947.....	. 59	1963.....	6. 52
1948.....	. 66	1964.....	6. 54
1949.....	. 82	1965.....	7. 03
1950.....	1. 10	Estimated future experience:	
1951.....	1. 61	1966.....	6. 41
1952.....	1. 76	1967.....	6. 51
1953.....	2. 28	1968.....	6. 54
1954.....	2. 83	1969.....	6. 59
1955.....	3. 26	1970.....	6. 66

¹ For 1951 and later, percentage takes into account (1) lower contribution rate payable by the self-employed compared with combined employer-employee rate, and (2) employee contributions subject to refund.

² For 1962–65, percentages are preliminary and subject to revision when complete tabulation of taxable earnings is available. For 1966–70, percentages are based on sum of payments for benefits and for vocational rehabilitation services.

The growth in the number of beneficiaries in the past and the expected growth in the future are attributable in large measure to the rising number of workers aged 65 or over eligible for and receiving old-age (primary) benefits. The growth in the number of eligible workers aged 65 and over since 1940 has been uninterrupted. This growth results partly from the increase in the population at these ages, and partly from two other factors: (1) in each passing year a larger proportion of the persons attaining age 65 has had fully insured status and (2) the amendments during the period 1950–65 have liberalized the eligibility provisions and extended coverage to new categories of employment.

In addition, there has been a growth in the proportion of eligible workers who receive benefits. In the early years of the program, a considerable proportion of the workers aged 65 and over who were eligible for old-age (primary) benefits remained in covered employment (or, if they had left covered employment, later returned to it) and therefore did not receive benefits. Since 1945, however, the proportion of eligible workers receiving retirement benefits has been increasing, except for temporary halts due to special circumstances resulting from the amendments of 1950 and 1954. In general, due to the increasing percentage of eligibles aged 72 or over, who receive benefits regardless of earnings, the upward trend in this proportion is expected to continue, although at a slower rate than in the past.

The expected operations and status of the disability insurance trust fund during the next 5 fiscal years are presented in table 17, together with the figures on actual experience in earlier years. Aggregate income of the disability insurance trust fund is expected to exceed aggregate outgo in the 5-year period covering fiscal years 1966–70. During this period there is an estimated net increase in the trust fund of \$332 million.

30 THE OLD-AGE AND SURVIVORS INSURANCE TRUST FUND

TABLE 17.—Operations of the disability insurance trust fund, fiscal years 1957-70

[In millions]

Fiscal year	Transactions during period						Fund at end of period	
	Income		Disbursements					
	Tax contributions ¹	Interest on investments ²	Benefit payments	Payments for vocational rehabilitation services	Administrative expenses ³	Transfers to railroad retirement account		Net increase in fund
Past experience:								
1957-65.....	\$8,584	\$420	\$6,565		\$380	\$52	\$2,007	\$2,007
1957.....	337	1			1		337	337
1958.....	926	16	168		12		762	1,099
1959.....	895	33	339		21		568	1,667
1960.....	987	47	528		32	-27	501	2,167
1961.....	1,022	61	704		36	5	337	2,504
1962.....	1,021	68	1,011		64	11	2	2,507
1963.....	1,077	67	1,171		67	20	-113	2,394
1964.....	1,143	65	1,251		68	19	-130	2,264
1965.....	1,175	62	1,392		79	24	-257	2,007
Estimated future experience:								
1966.....	1,467	54	1,715	\$6	191	25	-416	1,591
1967.....	2,045	57	1,782	13	120	27	160	1,751
1968.....	2,138	63	1,862	14	128	21	176	1,927
1969.....	2,216	71	1,922	15	131	24	195	2,122
1970.....	2,290	80	1,977	15	135	26	217	2,339

¹ Includes reimbursement for additional cost of noncontributory credits for military service; adjusted to exclude refunds.

² Includes net profits on marketable investments and, for 1958-66, adjustment for interest on administrative expenses reimbursed to the old-age and survivors insurance trust fund.

³ For 1957-65, expenses of the Department of Health, Education, and Welfare under the disability insurance program have initially been charged to the old-age and survivors insurance trust fund; reimbursements, including interest, have then been made from the disability insurance trust fund in the following fiscal year.

NOTE.—Reference should be made to the text which describes the underlying assumptions and limitations. Estimates were prepared in December 1965.

Estimates consistent with those shown on a fiscal-year basis in table 17 are presented in table 18 to show the progress of the disability insurance trust fund on a calendar-year basis. The total amount of benefit payments will continue to increase over the next 5 calendar years primarily because of the recent amendments and partly because of the long-range upward trend in the number of beneficiaries.

TABLE 18.—Operations of the disability insurance trust fund, calendar years 1957-70

[In millions]

Calendar year	Transactions during period						Net increase in fund	Fund at end of period
	Income		Disbursements					
	Tax contributions	Interest on investments	Benefit payments	Payments for vocational rehabilitation services	Administrative expenses	Transfers to railroad retirement account		
Past experience:								
1957-65.....	\$9,093	\$448	\$7,415		\$468	\$52	\$1,606	\$1,606
1957.....	702	7	57		3		649	649
1958.....	966	25	249		12		729	1,379
1959.....	891	40	457		50	-22	447	1,825
1960.....	1,010	53	568		36	-5	464	2,289
1961.....	1,038	66	887		64	5	148	2,437
1962.....	1,046	68	1,105		66	11	-69	2,368
1963.....	1,099	66	1,210		68	20	-133	2,235
1964.....	1,154	64	1,309		79	19	-188	2,047
1965.....	1,188	59	1,573		90	24	-440	1,606
Estimated future experience:								
1966.....	1,884	56	1,731	\$12	161	25	11	1,617
1967.....	2,095	60	1,822	13	123	27	170	1,767
1968.....	2,177	67	1,891	14	130	21	188	1,975
1969.....	2,251	76	1,950	15	133	24	205	2,180
1970.....	2,327	85	2,001	15	137	26	233	2,413

NOTE.—In interpreting the above experience, reference should be made to the footnotes in table 17.

Benefit expenditures from the disability insurance trust fund were 0.66 percent of taxable earnings for calendar year 1965. It is estimated that in 1966, because of the increase in the taxable earnings base previously noted, benefit payments as a percent of taxable earnings will decline to 0.60 percent. A slow rise in this percentage will begin in 1967. Figures for each of the calendar years 1957-70 are shown in table 19.

TABLE 19.—Disability insurance benefit payments as a percentage of taxable earnings,¹ calendar years 1957-70

Calendar year	Benefit payments as a percentage of taxable earnings ²	Calendar year	Benefit payments as a percentage of taxable earnings ²
Past experience:		Estimated future experience:	
1957.....	0.03	1966.....	0.60
1958.....	.14	1967.....	.61
1959.....	.23	1968.....	.61
1960.....	.25	1969.....	.61
1961.....	.44	1970.....	.61
1962.....	.52		
1963.....	.55		
1964.....	.57		
1965.....	.66		

¹ Take into account (1) lower contribution rate payable by the self-employed compared with combined employer-employee rate, and (2) employee contributions subject to refund.

² For 1962-65, percentages are preliminary and subject to revision when complete tabulation of taxable earnings is available. For 1966-70, percentages are based on sum of payments for benefits and for vocational rehabilitation services.

Reference has been made in earlier sections to the financial interchanges between the railroad retirement account and the two trust funds under the provisions of the Railroad Retirement Act. The estimates shown in tables 13, 14, 17, and 18 reflect the effect of future financial interchanges.

Reference has also been made previously to the provision in the 1965 amendments authorizing expenditures from the old-age and survivors insurance and disability insurance trust funds for the cost of vocational rehabilitation services. The estimates in tables 13-19 reflect the effect of such future expenditures.

Section 217(g) of the Social Security Act, as amended by the 1965 amendments, provides that the old-age and survivors insurance trust fund and the disability insurance trust fund shall be reimbursed from general revenues for past and future expenditures resulting from the provisions that granted noncontributory \$160 monthly wage credits to persons who served in the Armed Forces at some time during the period September 16, 1940 through December 31, 1956, and from the provisions enacted in 1946 that granted survivor protection to certain World War II veterans for a period of 3 years after leaving service. A description of the legislative history of provisions relating to credit for military service, including the provisions for reimbursement for the additional costs arising from payments made before September 1950, is contained in appendix II.

The estimated total additional costs arising from payments that have been made after August 1950 and that will be made in future years are intended to be amortized by level annual appropriations to the trust funds over a 50-year period beginning in fiscal year 1966 according to a determination made by the Secretary of Health, Education, and Welfare in September 1965. (The annual amount of this determination for the old-age and survivors insurance trust fund was \$87.4 million, and for the disability insurance trust fund, \$18.4 million.) Periodically, the estimated amounts of annual payment will be refigured to reflect actual costs incurred and revision in the future estimates.

The Budget of the United States Government for the fiscal year 1967 makes provision for appropriations initiating these reimbursements (for both fiscal years 1966 and 1967, at \$78 million each year for the old-age and survivors insurance trust fund and \$16 million each year for the disability insurance trust fund). The estimates shown in the various tables in this section reflect the effect of these future annual reimbursements, beginning in fiscal year 1966.

ACTUARIAL STATUS OF THE TRUST FUNDS

Old-age, survivors, and disability insurance benefit payments will increase for many years—not only in dollars but also as a percentage of taxable payroll. Long-range estimates are needed, therefore, to show how much the cost is likely to increase and to indicate whether the scheduled tax rates are adequate.

The cost of benefits to aged persons, which constitute almost 85 percent of the total cost, will rise for several reasons. The U.S. population will, in the long run, almost certainly become relatively much older on the average. A relatively older population will tend to result from the fact that the present aged population is made up of